FOREIGN GOLD & EXCHANGE RESERVES
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RESERVES, TRADE, AND ECONOMIC GROWTH

by Carolee Santmyer

GLOBAL REVIEW

The gap between world trade and international reserves widened in 1968. The liquidity ratio, reserves as a percentage of imports, declined to 33 percent in June 1968 from 35 percent a year earlier, reflecting an increase in imports that was larger, both absolutely and in percentage terms, than the increase in reserves (table 1). Nevertheless, the June 1968 level of world reserves at $73.1 billion was up 2.5 percent from the previous year's level, a substantial improvement over the 0.6 percent gain between June 1966 and June 1967.

World exports reached a total value of $197.2 billion in fiscal 1968, up 5.2 percent from the previous year (table 2).1/ This was less than the 7.6 percent by which they grew between fiscal 1966 and fiscal 1967. Total imports, after increasing 7.9 percent between fiscal years 1966 and 1967, increased another 5.3 percent during fiscal 1968 to $209.4 billion. Theoretically, the value of total world exports should equal the value of total world imports, but this does not occur due to statistical and other reasons. Differences in valuation and reporting methods--e.g., f.o.b. for exports vs. c.i.f. for imports--timing, plus trade imbalances between communist countries and members of the International Monetary Fund (IMF), give the impression that a world trade deficit exists. These differences and imbalances amounted to $12.2 billion in fiscal 1968.

Changes in the Composition of International Reserves

Total international reserves which amounted to $73.1 billion on June 30, 1968, represent the sum of three components--reserve positions in the IMF, foreign exchange holdings, and gold.

The reserve position in the Fund of all member countries improved by $0.7 billion in fiscal 1968 to total over $6.6 billion at year end. At this same time, total foreign exchange holdings rose by almost $3.0 billion to $27.8 billion.

World monetary holdings of gold dropped by $2.4 billion from the end of fiscal 1967 to the end of fiscal 1968 as gold production fell short of demand for speculative holdings, hoarding, and industrial use (table 3). Country holdings of monetary gold decreased by $1.9 billion.

Note: References to "total" world gold, and reserves are exclusive of the Sino-Soviet countries and Cuba.

1/ Unless otherwise stated, all fiscal years referred to in this report run from July 1 through June 30 and refer to the year in which they end. Years without designations are calendar years.

Demands on the U.S. gold supply also remained heavy in fiscal 1968, with year-end holdings down $2.5 billion below the June 1967 level. The gradual decline in U.S. gold holdings accelerated during the period after devaluation of the pound sterling in November 1967. The outflow was stemmed and reversed itself slightly following the May disorders in France and the subsequent large decline in French reserves.

Because of domestic and international problems, France's gold holdings in June 1968 were $500 million below the June 1967 total. The United Kingdom with its pressing monetary difficulties realized a $200 million drop in gold stocks. This compares with about a $300 million drop during the previous fiscal year; Swiss gold stocks also declined by $200 million. Countries registering major gains in gold holdings during fiscal 1968 were South Africa, $500 million; Italy, $300 million; and Iraq, $100 million.

In March 1968, an agreement was reached between the free world's major countries, setting up a two-tier gold system. Under this system, gold presently in the hands of central banks is deemed adequate for their transactions with each other and these transactions are to take place at the official price of $35 an ounce. Newly mined gold, plus gold bought or sold by individuals or organizations outside the central banking system, will be subject to open market prices established by the interaction of the supply and demand for gold. Rather than depress the private market price with additional supplies, South Africa added most of its newly mined gold to its reserves.

Special Drawing Rights

The new international reserve asset called Special Drawing Rights (SDR's) of the IMF has not yet become a reality. SDR's are the means by which world monetary authorities hope to solve the liquidity problem. Member countries are now in the process of voting on amending the IMF's Articles of Agreement to permit establishing the facility based on Special Drawing Rights. To become effective, this amendment must be ratified by three-fifths of the Fund's 110 members accounting for four-fifths of the total voting power. By October 1968, 17 countries, representing 15 percent of the Fund's members, with 42 percent of the total voting power have accepted the SDR amendment. In addition, members having 75 percent of the Fund's total quota must agree to participate in an allocation of SDR's before they can be distributed. Regular drawings on the Fund in the first 8 months of 1968 totaled $3.3 billion, up from previous years; Canada, France, the United Kingdom, and the United States drew $2.8 billion.

Development Lending

The World Bank held its annual meeting in Washington, D.C., in September 1968. At the meeting, World Bank President Robert S. McNamara announced that in fiscal 1969 the Bank would double the annual amount of money normally loaned to less-developed countries for agricultural purposes and, over the next 5 years, it would quadruple the dollar value of its total agricultural loans. In fiscal 1968, $172.5 million was loaned by the World Bank and its affiliate, the International Development Association, to stimulate agriculture in less-developed countries. The Bank hopes to double its overall lending to Latin America, triple loans to Africa, and continue to increase lending to Asian countries over the next 5 years.

Table 1.--International gold and foreign exchange reserves of the free world 1/

Country and area	Reserves June 30, 1966	Reserves June 30, 1967	Reserves June 30, 1968	Change in reserves, June 1967-June 1968		Gold component, June 30, 1968 2/	Ratio of reserves to imports 3/
	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Percent	Percent	Percent
ALL COUNTRIES, Total 4/	70,850	71,295	73,065	1,770	2.5	62	33
I. INDUSTRIAL AND OTHER DEVELOPED COUNTRIES 4/	59,240	58,700	59,605	905	1.5	69	34
United States	14,958	14,274	14,063	-211	-1.5	82	39
Belgium	2,324	2,457	2,532	75	3.1	79	32
France	6,749	6,688	5,517	-1,171	-17.5	86	45
Germany, Federal Rep. of	7,411	7,793	8,883	1,090	14.0	67	46
Italy	4,799	4,969	5,281	312	6.3	71	51
Netherlands	2,332	2,471	2,477	6	0.2	91	28
European Economic Community (excl.Luxembourg)	23,615	24,378	24,690	312	1.3	76	42
Austria	1,271	1,385	1,495	110	7.9	58	63
Denmark	587	543	468	-75	-13.8	41	15
Norway	492	601	693	92	15.3	14	25
Portugal	1,001	1,082	1,242	160	14.8	59	113
Sweden	1,043	1,007	955	-52	-5.2	44	20
Switzerland	2,994	3,239	3,400	161	5.0	78	78
United Kingdom	3,276	2,834	2,683	-151	-5.3	55	14
European Free Trade Association	10,664	10,691	10,936	245	2.3	59	29
Australia	1,710	1,542	1,502	-40	-2.6	36	36
Canada	2,789	2,630	2,703	73	2.8	39	21
Finland	214	188	323	135	71.8	14	19
Greece	266	260	253	-7	-2.7	66	20
Iceland	54	49	31	-18	-36.7	16	19
Ireland	421	469	386	-83	-17.7	30	32
Japan	2,150	2,099	2,001	-98	-4.7	31	15
New Zealand	113	123	169	46	37.4	1	22
South Africa	763	678	1,233	555	81.9	88	43
Spain	1,192	990	959	-31	-3.1	82	28
Turkey	134	116	124	8	6.9	78	15
Yugoslavia	77	112	131	19	17.0	18	7
II. LESS DEVELOPED COUNTRIES 4/	11,610	12,595	13,460	865	6.9	29	31
Latin America							
Central American Common Market 5/	273	240	247	7	2.9	17	(d)28
Argentina	284	670	726	56	8.4	24	66
Bolivia	37	37	40	3	8.1	25	(d)29
Brazil	404	273	234	-39	-14.3	24	11
Chile	112	142	125	-17	-12.0	36	n.a.
Colombia	48	73	117	44	60.3	28	(a)19
Dominican Republic	29	38	35	-3	-7.9	9	20
Ecuador	40	66	61	-5	-7.6	56	n.a.
Haiti	2	2	3	1	50.0	---	n.a.
Jamaica	112	121	142	21	17.4	5	(a)41
Mexico	540	591	598	7	1.2	50	29
Paraguay	10	15	12	-3	-20.0	33	17
Peru	146	124	91	-33	-26.6	22	12
Uruguay	230	195	180	-15	-7.7	74	124
Venezuela	819	760	838	78	10.3	58	(b)60

Continued

Table 1.--International gold and foreign exchange reserves of the free world 1/--Continued

Country and area	Reserves June 30, 1966	Reserves June 30, 1967	Reserves June 30, 1968	Change in reserves, June 1967-June 1968	Change in reserves, June 1967-June 1968	Gold component, June 30, 1968 2/	Ratio of reserves to imports 3/
	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Percent	Percent	Percent
Middle East							
Cyprus	86	98	140	42	42.9	13	(a)88
Iran	224	277	310	33	11.9	54	(a)21
Iraq	250	278	461	183	65.8	50	(b)113
Israel	643	n.a.	745	n.a.	n.a.	9	71
Jordan	147	236	250	14	5.9	10	154
Kuwait	145	200	180	-20	-10.0	81	(b)28
Lebanon	258	346	320	-26	-7.5	91	n.a.
Saudi Arabia	774	861	788	-73	-8.5	15	n.a.
United Arab Republic	192	231	198	-33	-14.3	47	(a)32
Asia							
Afghanistan	52	46	39	-7	-15.2	79	(d)70
Burma	164	168	154	-14	-8.3	56	77
Ceylon	51	50	50	---	---	---	14
China, Republic of	332	392	416	22	5.6	19	(a)58
India	775	615	720	105	17.1	34	26
Korea	170	306	380	74	24.2	4	26
Malaysia	464	493	463	-30	-6.1	21	40
Pakistan	283	176	195	19	10.8	28	(a)20
Philippines	209	169	187	18	10.6	36	15
Thailand	876	1,019	1,051	32	3.1	11	(b)106
Vietnam	240	373	352	-21	-5.6	n.a.	103
Africa							
Congo (Kinshasa)	22	20	125	105	525.0	21	(d)51
Ethiopia	91	83	74	-9	-10.8	16	47
Ghana	126	109	111	2	1.8	5	43
Libya	433	544	696	152	27.9	13	95
Morocco	99	86	83	-3	-3.5	25	14
Nigeria	212	159	125	-34	-21.4	22	30
Sudan	46	53	50	-3	-5.7	---	(a)30
Tunisia	31	29	32	3	10.3	12	14
East Africa 6/	169	224	243	19	8.5	5	(a)36
Equatorial Africa 7/	74	54	50	-4	-7.4	14	(a)24
West Africa 8/	158	165	161	-4	-2.4	6	(c)29

---Indicates figure is zero or less than half of the last digit shown.
n.a. = Not available
1/ Includes reserve position with the International Monetary Fund.
2/ Gold tranche position and lendings to the Fund (reserve position in the Fund) included with gold.
3/ Ratio of June 30, 1968, reserves to second quarter 1968 imports (at annual rates) except where denoted by letters which indicate imports for the following periods: (a) first quarter 1968, (b) fourth quarter 1967, (c) third quarter 1967, (d) second quarter 1967.
4/ Includes some countries not separately shown.
5/ Includes Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.
6/ Includes Kenya, Tanzania, and Uganda.
7/ Includes Cameroon, Central African Republic, Chad, Congo (Brazzaville), and Gabon.
8/ Includes Dahomey, Ivory Coast, Mauritania, Niger, Senegal, Togo, and Upper Volta.

Source: International Monetary Fund, International Financial Statistics, October 1968.

Table 2.--Exports and imports of industrial and other high-income countries, fiscal years 1967 and 1968

Country and area	Exports (f.o.b.) 1967	Exports (f.o.b.) 1968	Exports Change 1966 to 1967	Exports Change 1967 to 1968	Imports (c.i.f.) 1967	Imports (c.i.f.) 1968	Imports Change 1966 to 1967	Imports Change 1967 to 1968	Trade balance 1967	Trade balance 1968
	--Mil. U.S. dol.---		---Percent-----		-Mil. U.S. dol.---		---Percent-----		--Mil. U.S. dol.--	
WORLD TOTAL	187,350	197,150	7.6	5.2	198,725	209,350	7.9	5.3	-11,375	-12,200
I. INDUSTRIAL AND OTHER DEVELOPED COUNTRIES	148,808	156,420	8.9	5.1	157,310	167,138	7.9	6.2	-8,502	-10,718
United States	31,352	32,562	6.7	3.9	28,803	32,134	12.9	11.6	2,549	428
Belgium-Luxembourg	7,008	7,452	5.2	6.3	7,219	7,552	5.2	4.6	-211	-100
France	11,101	11,584	4.1	4.4	12,291	12,470	10.3	1.5	-1,190	-886
Germany, Federal Rep. of	21,169	22,608	12.3	6.8	17,412	18,480	-4.0	6.1	3,757	4,128
Italy	8,432	9,263	10.1	9.9	9,165	9,810	14.1	7.0	-733	-547
Netherlands	7,040	7,684	6.6	9.1	8,150	8,699	2.7	6.7	-1,110	-1,015
European Economic Community	54,750	58,591	8.5	7.0	54,237	57,011	4.1	5.1	-513	1,580
Austria	1,741	1,878	5.2	7.9	2,322	2,372	2.2	2.2	-581	-494
Denmark	2,472	2,566	2.1	3.8	3,106	3,138	8.3	1.0	-634	-572
Norway	1,647	1,824	9.2	10.7	2,653	2,737	17.9	3.2	-1,006	-913
Portugal	644	717	6.4	11.3	1,042	1,023	12.5	-1.8	-398	-306
Sweden	4,475	4,635	8.4	3.6	4,603	4,861	1.7	5.6	-128	-226
Switzerland	3,444	3,674	9.7	6.7	4,832	4,210	26.9	-12.9	-1,388	-536
United Kingdom	15,211	14,066	7.5	-7.5	17,226	18,194	3.7	5.6	-2,015	-4,128
European Free Trade Association	29,634	29,360	7.3	-0.9	35,784	36,535	7.6	2.1	-6,150	-7,175
Australia	3,389	3,411	12.2	0.6	3,789	4,034	2.8	6.5	-400	-623
Canada	10,746	11,881	16.0	10.6	10,716	11,512	12.5	7.4	30	369
Finland	1,574	1,566	8.8	-0.5	1,758	1,634	7.2	-7.1	-184	-68
Greece	429	489	17.2	14.0	1,216	1,209	4.5	-0.6	-787	-720
Iceland	125	86	-8.1	-31.2	164	144	9.3	-12.2	-39	-58
Ireland	745	788	15.1	5.8	1,108	1,099	11.1	-0.8	-363	-311
Japan	10,170	11,404	13.6	12.1	10,594	12,334	22.4	16.4	-424	-930
New Zealand	1,009	967	-4.7	-4.2	1,089	821	-1.3	-24.6	-80	146
South Africa	1,812	2,117	17.2	16.8	2,921	2,824	18.5	-3.3	-1,109	-707
Spain	1,320	1,471	16.9	11.4	3,504	3,372	1.0	-3.8	-2,184	-1,901
Turkey	494	524	2.1	6.1	697	759	6.7	8.9	-203	-235
Yugoslavia	1,256	1,216	7.0	-3.2	1,646	1,710	15.0	3.9	-390	-494
Sum of others--Australia to Yugoslavia	33,069	35,920	13.1	8.6	39,202	41,452	12.2	5.7	-6,133	-5,532
II. LESS DEVELOPED COUNTRIES	38,550	40,725	3.1	5.6	41,425	42,225	8.0	1.9	-2,875	-1,500

Source: International Monetary Fund, International Financial Statistics, October 1968.

Price Movements

According to the World Bank's commodity price index, export prices for products produced by less-developed countries declined by about 1 percent from 1966 to 1967. Nevertheless, the value of their total exports during this period increased by roughly 3 percent, indicating a 3- to 4-percent rise in export volume.

Export prices for products produced by the developed countries did not change between 1966 and 1967, according to the commodity index, but the value of their exports during this period increased by about 8.9 percent, again indicating an increase in export volume. The price index, however, indicated that prices for products of developed countries in second quarter 1968 averaged 1 percent below the like 1967 period.

Primary products compose a large portion of the exports of less-developed countries. According to IMF figures wholesale commodity prices for such primary products as coconut oil, rice, copra, and sugar rose noticeably between 1966 and 1967 while those for coffee, copper, burlap and jute, wool, groundnuts and oil, tea, rubber, sisal, and tin declined substan, tially.

Table 3.--Major changes in monetary gold holdings 1/

Country or institution	Changes, June 30, 1967 to June 30, 1968
	Billion U.S. dollars
United States	-2.5
France	-0.5
Switzerland	-0.2
United Kingdom	-0.2
Canada	-0.1
Iraq	0.1
Italy	0.3
South Africa	0.5
Country holdings, total	-1.9
World total, including institutions	-2.4

1/ Excluding IMF gold tranche position and lendings to the IMF.

Source: International Monetary Fund, International Financial Statistics, October 1968.

Prices for most of the primary products listed above continued their respective trends in early 1968, compared with the same period in 1967. Coffee, copper, and tea were exceptions. Coffee and tea prices in the second quarter of 1968 were close to year earlier levels, indicating that the decline may have been arrested. Copper prices appeared to reverse their decline and were higher in the second quarter of 1968 in comparison with the same period of 1967.

The International Grains Agreement (IGA), which went into effect on July 1, 1968, is an attempt by grain-trading nations to fix minimum and maximum prices for wheat so that producing nations are not adversely affected by wide and costly price fluctuations. An additional part of this agreement, labeled the Food Aid Convention, is designed to unite the efforts of the United States and other developed countries in supplying needed food relief to less-developed nations.

At the end of fiscal 1968, the developed countries of the world held $59.6 billion (82 percent) of total world reserves, the remaining $13.5 billion being held by the less-developed countries. The less-developed countries accounted for about one-half of the $1.8 billion increase in world reserves in fiscal 1968. Their reserves gained 6.9 percent during this year, compared with an 8.5 percent gain a year earlier. None of the less-developed countries had reserve losses in fiscal 1968 that exceeded $80 million or were greater than 30 percent of their reserves. Less-developed countries also accounted for slightly under 21 percent of total world exports and 20 percent of world imports in fiscal 1968.

The trade deficit of the less-developed countries improved from $2.9 billion in fiscal 1967 to $1.5 billion the following year. In contrast, the deficit for the developed world worsened from $8.5 billion to $10.7 billion in that time period. However, these trade balances (either surpluses or deficits) are subject to distortions, as discussed earlier. If these distortions could be eliminated, the balances and changes in the balances noted for the developed and less-developed areas would be purely the result of their trade with each other.

Developed countries registered a 1.5 percent net addition to their international reserves, or $905 million in fiscal 1968, compared with a $540 million decline in fiscal 1967.

Industrial and Other Developed Countries

The rate of economic growth in the European Economic Community (EEC) is estimated for calendar 1968 at 5.0 percent, up 1.9 percentage points from a year earlier (table 4).

Table 4.--Growth in real output, selected countries, 1966-68

Country	1966	1967	1968 forecast
	Percent		
Belgium	2.8	3.5	4.0
France	5.5	4.5	4.0
Germany	2.4	-0.1	6.0
Italy	5.5	5.9	5.5
Luxembourg	0.9	2.0	3.5
Netherlands	1.9	5.6	5.3
EEC	4.2	3.1	5.0
Canada	6.5	2.8	4.5
Denmark	2.3	3.7	0.1
Japan	10.7	13.7	11.0
Sweden	3.1	2.7	4.0
United Kingdom	1.7	1.4	3.0
United States	6.4	2.4	4.9

The most outstanding growth rate in the EEC group--about 6 percent--should be recorded by Germany, followed by Italy with 5.5 percent. For Germany this would be a sharp recovery from 1967's slight decline in real output. Italy's growth rate, however, would be down about one-half percentage point. Last June 30, Italy and Germany together held almost 20 percent of total world reserves and roughly one-quarter of the reserves of the industrial world. They also accounted for slightly over 16 percent of the value of world exports and almost 14 percent of world imports in fiscal 1968.

Germany's reserves increased by almost $1.1 billion in fiscal 1968 and its trade surplus was over $4 billion. Its economic

policies are not likely to substantially decrease its trade surplus and reserve level, despite the growing outflow of long-term capital which is helping to establish monetary balance. The proposed domestic budget is not expected to be extremely expansionary or inflationary this year, and the increase in the country's employment rate has slowed. In addition, spare capacity still exists in the nation's industrial sector, and productivity is at a high level; therefore, resources are not likely to come under pressure for some time. Nevertheless, Germany fears that it could find itself choosing between inflation or a devaluation of its currency.

Italy's economy also expanded in 1968, with prices remaining relatively stable and exports growing by almost 10 percent. Unlike Germany, with its large trade surplus, Italy had a fiscal 1968 trade deficit of $547 million, about $200 million below the year-earlier deficit. There were indications that its economy expanded at a slower pace in 1968, compared with 1967 growth, because of a weakening in domestic demand. Foreign demand for Italian exports may also have slackened slightly in the last half of 1968 mainly because of the actions taken by the United States, the United Kingdom, and France to ease their balance-of-payments difficulties. To cope with these prospects, the Italian Government proposed a somewhat expansionary 1969 budget that included economic incentive programs and stressed measures to improve the country's infrastructure. The industrial sector of the economy is receiving top priority, and an increase in imports of industrial supplies and equipment may substantially boost total imports in the coming months.

The French economy is still recovering from the adverse effects of the strikes and general turmoil of May and June 1968, and a decline in foreign reserves of almost $1.2 billion in fiscal 1968. To stimulate business activity and help reduce unemployment, the Government announced an expansionary budget for 1969. However, recent pressure on the French franc forced France to adopt strict austerity measures. They are designed to increase exports and reduce imports by limiting domestic demand so that resources can be shifted to the export sector. France's growth rate probably reached only 4 percent during 1968, compared with 4.5 percent in 1967. Although total imports rose from about $12.3 billion in fiscal 1967 to $12.5 billion a year later, the trade deficit at $886 million was down $304 million from that of fiscal 1967 as the increase in the value of exports exceeded that of imports.

Belgium's growth rate should reach 4 percent in 1968, up slightly from 1967. The rate for Luxembourg is also expected to be up in 1968 while that of the Netherlands will probably be 5.3 percent, down slightly from the previous year.

The Commission of the EEC is trying to further economic growth and provide more harmony among Community countries by resolving certain tax issues which have blocked border-crossing mergers between Common Market firms. If this issue is resolved, it should enable these firms to reach sizes more competitive with large American companies. Of course, some benefit would also be realized by U.S. corporations operating in Europe.

Although Japan's rate of economic growth may reach a superior 11 percent for 1968, it would be 2.7 percentage points below that of the previous year. By August 1968, the country's reserves rose to over $2.2 billion from $2 billion

at the close of fiscal 1968. Although the trade and overall balance-of-payments situation has improved in recent months, a heavy inflow of short- and long-term capital has officials concerned that the balance-of-payments position may become too vulnerable to changes in international monetary patterns. Between fiscal 1967 and 1968, Japan's trade deficit rose from $424 million to $930 million.

The economic growth rate for the United States in 1968 will likely be just under 5 percent, or about double the 1967 rate of 2.4 percent. Data indicate that capital spending by American companies in Europe declined by 4 percent in 1968 but should rise slightly in 1969. The apparent 1968 decline could have been partly due to the consolidation of foreign subsidiaries of U.S. companies and also to curbs on capital exports which encouraged companies to borrow abroad in order to finance their overseas expenditures.

While U.S. exports rose by 3.9 percent between fiscal 1967 and 1968, imports expanded by 11.6 percent. The trade surplus, which had been over $2.5 billion in fiscal 1967, reached only $428 million a year later. International reserves also fell by $211 million between June 1967 and June 1968 to $14,063 million by the end of 1968.

The 3-percent growth rate expected for the United Kingdom in 1968, although the lowest of any of the countries shown in the table except Denmark, is about double the 1967 rate.

International reserves of the United Kingdom dropped from just over $2.8 billion at the end of June 1967 to slightly under $2.7 billion at the end of June 1968. The country's trade deficit doubled between fiscal 1967 and 1968 to $4,128 million. Over the years, the U.K.'s deteriorating balance of payments has contributed heavily to a weakening of the pound sterling. As a result, the United Kingdom devalued the pound by 14 percent in November 1967, hoping to foster an increase in exports while restraining imports and improving its payment's position. However, these improvements have not materialized as fast nor have they been as large as expected, although the trend in trade and in the overall balance of payments has been in the right direction.

The United Kingdom has also attempted to lower its international trade deficit by cutting domestic consumption to further reduce imports, but this move has encountered strong opposition within the country's Labor Party. Nevertheless, the Government instigated and recently strengthened economic programs designed to curb domestic demand. If these programs fail to yield results, sterling could find itself under intense pressure once again. Some of the sterling area countries, unhappy about their losses resulting from the previous devaluation, have expressed a desire to reduce their sterling reserves, or to obtain some type of guarantee against economic loss if there should be a second devaluation. International monetary organizations recently helped the United Kingdom meet this problem by extending credit so that exchange guarantees could be granted to cover a portion of the sterling reserves held by sterling area countries. International monetary authorities hope to avoid having sterling holders switch to gold holdings, for this would put an added burden on the world gold supply and U.S. gold stocks.

Denmark's trade deficit in fiscal 1968 of $572 million represented a $62 million reduction from the previous year, but international reserves in June 1968

were $468 million, down $75 million from the same period in 1967. Denmark's real GNP in 1968 is estimated to be about the same as in 1967.

Less-Developed Countries

Over 60 percent of the $865 million increase in reserves of less-developed countries was accounted for by Iraq, Libya, India, and the Congo (Kinshasa). Both Libya and Iraq owe most of their substantial 1968 reserve increases to their growing petroleum industries.

In Libya, petroleum production during first quarter 1968 was 2.35 million barrels per day, or 46 percent higher than the like 1967 period. Petroleum revenues between March 1968 and March 1969 (the Libyan fiscal year) are estimated by the Libyan Government at $770 million, up almost 62 percent from the previous year.

Agricultural production reached better than average levels in the last 2 years, providing various products for export; however, agricultural exports account for only a small portion of the country's total foreign exchange earnings. In addition, domestic agricultural production is always supplemented by imports to meet the growing local demand for farm products. That demand has resulted from the influx of foreign visitors and those engaged in oil exploitation, the rural- to- urban migration of the local population, and improved incomes.

Iraq's economy also depends largely upon foreign exchange received from the production and export of crude petroleum. Oil production probably will reach 72 million tons in 1968 (22 percent over 1967 production) and yield a total foreign exchange income--income to the Government plus local expenditures by oil companies--of roughly $476 million. In late 1966 and part of 1967, oil exports as well as foreign exchange earnings were adversely affected when oil flowing through pipelines across Syria was interrupted by a dispute over transit dues and by the Arab-Israeli war. The oilflow has since been resumed. Iraq's exports totaled $835 million in 1967 with petroleum accounting for 92 percent, while imports were valued at only $423 million.

The potential for future oil production in Iraq is considerable, and its government is following a policy that will ensure for it a larger share of the profits from existing facilities and future discoveries. The country is following similar policies with its rich sulphur resources in Mishraq.

Iraq's economy has been affected by inflation. It has been further burdened by the fighting between factions of the Kurdish minority in the North and by a national defense tax instigated after the June 1967 Arab-Israeli war. Under the present 5-year plan, which ends in 1970, half of total oil revenues are scheduled for internal development programs, with particular emphasis on new industries, petrochemical development, agriculture, and industries processing agricultural products. Of special concern to agriculture, which employs a majority of the people, are drainage, irrigation, storage facilities, and mechanization.

India, one of the developing countries whose reserves rose more than $100 million in fiscal 1968, is concerned over the small return thus far realized on the large capital investments in State enterprises over the past 10 years. This return has averaged about 2 percent annually--far below the 11- to 12-percent return hoped for by the development planners. A Foreign Investment Board is being established by the Government of India to handle all inflows of foreign private capital. The Board will decide which of the local industries can benefit from foreign investment and, therefore, which will be open to such investment.

India's industrial economy moved at a very slow pace during the past 3 years; however, the Government hopes that its present 1968-69 plan will boost the country's economic activities. It is continuing to emphasize agriculture to increase food grain production and it hopes to combine this with an advance in industrial production. The latter is expected to occur mostly as the result of more complete utilization of excess capacity, but the completion of existing projects will provide some of the stimulus toward the desired 5-percent growth rate for the total economy. Regardless of the bumper 1967/68 agricultural crop, India's budgeters estimated that development resources would remain restricted. Accordingly, they budgeted development outlays at roughly the same level as those of the previous 2 years with new projects restricted except in vital areas, such as fertilizer production.

The agricultural sector may fall below expectations in 1968/69. Planting and cultivation of crops in some areas during July and August 1968 were hampered by heavy rains, while a shortage of rain since then undoubtedly hurt nonirrigated crops. The 1968-69 summer grain and pulse crops are not expected to reach the high levels of 1967/68, and the outlook for rice is uncertain.

If economic activity quickens during 1968/69, a shortage of funds could develop. In this situation, India's Reserve Bank would offer as much help as possible, but the country's commercial banks were advised to lessen their dependence on the Reserve Bank by reducing any deficit between their needs and resources in some other way.

The country exported $1,648 million worth of products in fiscal 1968; the leading exports were jute manufactures and tea, each of which accounted for about 16 percent of total exports. Fiscal 1967 exports amounted to $1,552 million. Imports totaled $2,645 million in fiscal 1968, down slightly from the $2,860 million a year earlier.

At $125 million the international reserves of the Congo (Kinshasa) on June 30, 1968, were 525 percent above the previous year's level. It was in June 1967 that the Congo activated a monetary reform program which appears to have produced a degree of stability in the political and economic sectors of the economy. For example, inflation has been one of the Congo's most serious problems since its independence and, although prices climbed steeply after the 1967 reform program became operational, they now appear to be leveling off and, apparently are under control. In addition, the vast increase in the nation's international reserves has been due not only to higher 1967/68 prices for copper exports but also to a substantial reduction in the size of the country's commercial imports. The Congo's old restrictive import system with its distortions and artificial price relations was abandoned and a competitive type

of system has been adopted. The strength of monetary reform is further evidenced by the fact that government revenues by the first half of 1968 were roughly 221 percent above those in the like period of the previous year, largely because of a revised national tax system.

Problems still exist for the Congo, however, For instance, the country's export earnings and foreign exchange reserves could decline in the year ahead if world market prices for its major exports decrease. Now that the U.S. copper strike is over, copper prices in 1968/69 are expected to be at least 25 percent below those of the previous year. Prices also dropped in 1968 for palm oil, cutting revenues from this, the Congo's leading agricultural export. These two price changes alone could cost the Congo between $15 million and $20 million in export earnings.

The preceding, coupled with a possible increase in government imports of machinery and equipment, may bring about a decline in the nation's international reserves in 1968/69. If reserves decline too far, the Government may restrict credit to the private sector in an attempt to curb total imports, and this would hamper business activity which has already slowed down. At present, import policies are designed to encourage imports essential to economic growth and stabilization while discouraging luxury consumer goods. Products valued at $443.4 million were exported by the Congo in 1967, compared with $265.4 million in imports.

Malaysia's foreign exchange earnings are heavily dependent on primary products. About one-third of its annual export earnings come from rubber sales, with tin and timber exports jointly adding at least one-third more. Iron ore is the country's fourth largest export. In 1967, total exports were valued at $1,216 million and imports at $1,087 million. Both exports and imports during the first half of 1968 were above those for the same period of 1967. International reserves fell by $30 million between June 1967 and June 1968. Mainly responsible were lower 1967/68 returns from rubber exports, resulting from a decline in rubber prices and a slight lessening in world demand for this product.

As high-yielding rubber trees become more abundant, the long-term fear that rubber production will seriously outpace demand becomes more real. Malaysia is, therefore, encouraging producing countries to form an organization that would examine the marketing system and freight rates for rubber and promote natural rubber consumption. It is also urging the adoption of an international rubber agreement.

Tin prices in the second quarter of 1968 were about 8 percent below the year-earlier level, and exporters of tin were faced with problems similar to those of rubber exporters. In addition, some of the smaller tin producers were forced out of business because of falling prices; nevertheless the uptrend in Malaysian tin production continues. As a result of world surpluses of tin and substantial holdings in the tin buffer stock maintained under the International Tin Agreement, the outlook for Malaysia's tin exports is less than rosy.

Part of the foreign exchange loss suffered in the tin and rubber sectors has been balanced by increased sales of timber and palm oil. Looking ahead,

the withdrawal of British military forces in 1971 will also mean a sizable loss of foreign exchange earnings for Malaysia.

The country's economy grew by roughly 2.5 percent from 1966 to 1967, primarily because of investment in the public sector. And economic growth in 1968 is expected to be higher as the result of activity generated by private enterprise and increased private investment. This expectation is heightened by the fiscal incentives for commercial and industrial enterprises contained in the Investments Incentive Act which came into force in January 1968.

At the end of June 1968, eight of the less developed countries (Thailand, Venezuela, Saudi Arabia, Israel, Argentina, India, Libya, and Mexico) each had reserves totaling over $500 million. The first six of these reported reserves of over $700 million, with Thailand's $1,051 million far surpassing the others.

Thailand, whose economy is tied heavily to agriculture, exports mostly agricultural products, especially rice, rubber, corn, kenaf, and tapioca products. Tin is the second most important export after rice. In 1967, total exports were valued at $685 million; about one-third came from rice, 13 percent from tin, 11 percent from rubber, and almost 10 percent from corn. Imports in 1967 totaled $993 million.

Despite the fact that Thailand's economy was hampered in 1967 by a drought in the Northeastern part of the country, GNP reportedly rose 5 percent from the 1966 level. Due to improved agricultural conditions, the growth rate for GNP in 1968 is said to be above the 1967 rate and substantial agricultural exports are predicted for 1969.

Venezuela, with international reserves totaling $838 million in June 1968, has an economy that is heavily dependent upon petroleum exportation. Oil production, which was up 4 percent in the first half of 1968 above the same period in 1967, reached a level of 3,611,000 barrels per day by July 1968; the yearly increase is expected to be about 3 percent. Oil exports in 1967 and 1968 benefited from the Suez crisis, and enabled the country's economy to expand in both years. The growth rate for GNP in real terms was almost 5 percent between 1966 and 1967. Due to Venezuela's proximity to the United States, the rise in world tanker rates as well as an increase in U.S. demand for oil helped promote exports to the United States during 1967 and 1968.

Manufacturing output and retail sales in the spring of 1968 were about 3 to 4 percent above last year's levels, but the construction industry remained a weak spot in the economy. With the growth in the petroleum and manufacturing sectors, available bank credit easily surpassed demand, even though the Government has been borrowing extensively from the private sector to cover its deficits. Overall, the country's economy in 1968 was active and growing.

Brazil's international reserves dropped by $39 million between June 1967 and June 1968 to a level of $234 million. This partially reflects a shift in the country's trade balance from a $60 million surplus in fiscal 1967 to a $97 million deficit in fiscal 1968. The value of Brazil's total exports rose from $1,678 million in fiscal 1967 to $1,754 million a year later, but imports grew even faster during the same period, going from $1,618 million to $1,851 million.

The growth in Brazil's exports is largely due to increased sales of agricultural products, the most important of which are coffee, cotton, and cacao. The prices for coffee in 1967/68 and cotton in 1968 were below their 1966 levels while the price for cacao has increased since 1966. Nevertheless, good harvests in both 1967 and 1968 provided additional products for export, causing the total value of exports to rise.

Increased imports are mainly the result of a sharp increase in the level of investment since 1967 which, in company with higher farm incomes, has helped to raise employment levels and intensify domestic demand for consumer and capital goods imports. Investments financed by the country's major banks and various international lending institutions rose by almost 200 percent from 1966 to 1967 and such investments are thought to have doubled between 1967 and 1968.

The country's gross national product, which grew 5 percent in real terms in 1967, probably expanded by 6 percent in 1968 and is projected to expand 6 percent in 1969. In addition to good harvests, growing exports, and increased investment, the growth in GNP has been encouraged by price supports for agricultural products, expanded credit for the agricultural sector, public financing of home construction, and a strong attempt by the government to keep the rate of inflation under control. However, the pressures of inflation will heighten as local demand continues to swell and the output of the industrial sector reaches its present capacity. In the first 7 months of 1968, prices for industrial products were up 23.5 percent, compared with 17.9 percent in the year-earlier period. There was only a 6.2 percent rise in the price of agricultural products in 1968, less than in the same 1967 period. As a result the general wholesale price level, with an increase of 14.6 percent, rose less in the first 7 months of 1968 than in the same 1967 period.

Brazil devalued its currency by 14.3 percent in August 1968. Authorities now plan an exchange rate system in which small changes in the fixed rate will be made throughout the year. The changes will be based upon price trends and the level of foreign reserves. It is hoped that this policy will improve export earnings and maintain a realistic exchange rate.

U.S. AGRICULTURE AND THE BALANCE OF PAYMENTS

by George R. Kruer 1/

In recent years the trade surplus has been trending upward for agricultural products, downward for all other products. From 1960 to 1967, the farm trade surplus increased twofold to $1.9 billion, while the nonagricultural trade surplus declined from $3.8 billion to $1.5 billion. The total trade surplus rose from $4.7 billion at the beginning of that period to $6.6 billion

1/ For a discussion of the concepts and methods underlying the data presented in this section see Kruer, George R., U.S. Agriculture and the Balance of Payments, 1960-67, ERS - Foreign 224, U.S. Dept. Agr., April 1968. The Office of Business Economics, U.S. Dept. Commerce revised many of the figures underlying the preceding report and the revised series from 1960-1968 is presented here.

in 1964, then declined to $1.5 billion in 1967. The peak year for nonagricultural trade was also 1964 when a surplus of $4.4 billion was attained. The best agricultural trade year was 1966 when the agricultural trade surplus amounted to $2.4 billion. (See table 5).

In 1967 agricultural exports decreased by almost $500 million from their 1966 level to $6,385 million. Most of the decline came in commercial exports, but a drop of about $75 million in noncommercial exports was a contributing factor. And with imports down only slightly ($39 million), the agricultural trade surplus fell by about $450 million.

Between 1960 and 1967 agricultural exports increased by 32 percent, but the increase in commercial exports was even larger--46 percent--as noncommercial exports fell by 4 percent. Noncommercial exports are defined here as those financed by the U.S. Government with international grants and credits. Commercial exports were valued at $5.1 billion in 1967. Agricultural imports increased by 14 percent between 1960 and 1967, reaching $4.5 billion in the latter year.

While noncommercial agricultural exports have declined since 1960, exports of noncommercial nonagricultural products have increased by 229 percent, from $0.7 billion in 1960 to $2.2 billion in 1967. This far exceeds the 64-percent increase registered for total exports of these products, which means that the increase in commercial exports was somewhat less--57 percent. Imports of nonagricultural products more than doubled between 1960 and 1967, from $10.8 billion to $22.5 billion.

As a result of these movements, the overall commercial trade balance moved down sharply from a $2.7 billion surplus in 1960 to a deficit of $46 million in 1967. This occurred despite the rise in the commercial agricultural trade balance from a deficit of $436 million in 1960 to a surplus of $609 in 1967. In the same period, the commercial trade balance for nonagricultural products dropped from a surplus of $3.1 billion to a deficit of $0.7 billion.

The decline in the trade balances, both total and commercial, continued in the first two quarters of 1968. In first half 1968 the commercial trade balance showed a deficit of $1,506 million, compared with a surplus of $333 million in first half 1967 (table 6). Most of the decline can be traced to the upsurge in imports of nonagricultural products, going up $2,556 million to $13,580 million. In that period, commercial exports of nonagricultural products increased by only $1,030 million. In agricultural trade, commercial exports declined by about $100 million and this, coupled with a $200 million increase in imports, caused the commercial trade balance to drop from a surplus of $179 million in first half 1967 to a deficit of $134 million in first half 1968.

Available data on total trade for third quarter 1968 indicate that the seasonally adjusted trade surplus increased to $509 million, a substantial rise from the second quarter's seasonally adjusted surplus of $58 million.

Noncommercial agricultural exports declined slightly from $1,377 million in 1960 to $1,324 million in 1967 after reaching a high of $1,630 million in 1964 (table 7). Over this time span, sales for local currencies under P.L. 480 declined by 25 percent. However, this masks the sharp rise from $980 million in 1960 to $1,234 in 1964 and the subsequent sharp drop to $740 million in 1967.

Table 5.--U.S. merchandise trade, balance-of-payments basis, 1960-67

Period and commodity group	Exports (f.o.b.)			Imports (f.o.b.)	Trade balance	
	Total	Noncommercial 1/	Commercial		Total	Commercial
	Million U.S. dollars					
Total:						
1960	19,487	2,046	17,441	14,744	4,743	2,697
1961	19,944	2,396	17,548	14,522	5,422	3,026
1962	20,606	2,503	18,103	16,219	4,387	1,884
1963	22,071	2,882	19,189	17,014	5,057	2,175
1964	25,297	3,032	22,265	18,648	6,649	3,617
1965	26,244	2,952	23,292	21,516	4,728	1,776
1966	29,176	3,152	26,024	25,541	3,635	483
1967	30,468	3,523	26,945	26,991	3,477	-46
Agricultural:						
1960	4,835	1,377	3,458	3,894	941	-436
1961	5,023	1,454	3,569	3,756	1,267	-187
1962	5,037	1,423	3,614	3,898	1,139	-284
1963	5,584	1,538	4,046	4,044	1,540	2
1964	6,350	1,630	4,720	4,090	2,260	630
1965	6,229	1,360	4,869	4,087	2,142	782
1966	6,879	1,403	5,476	4,491	2,388	985
1967	6,385	1,324	5,061	4,452	1,933	609
Nonagricultural:						
1960	14,652	669	13,983	10,850	3,802	3,133
1961	14,921	942	13,979	10,766	4,155	3,213
1962	15,569	1,080	14,489	12,321	3,248	2,168
1963	16,487	1,344	15,143	12,970	3,517	2,173
1964	18,947	1,402	17,545	14,558	4,389	2,987
1965	20,015	1,592	18,423	17,429	2,586	994
1966	22,297	1,749	20,548	21,050	1,247	-502
1967	24,083	2,199	21,884	22,539	1,544	-655

1/ Total noncommercial exports are equal to the amount of U.S. merchandise financed by the U.S. Government with international grants and credits and which involve no direct dollar outflow from the United States. Noncommercial agricultural exports are from table 7 and noncommercial nonagricultural exports are the residual.

Source: ERS statistics and Survey of Current Business, U.S. Department of Commerce.

Table 6.--U.S. merchandise trade, balance-of-payments basis, by quarters, 1965-68

Period and commodity group		Exports (f.o.b.) Total	Noncommercial 1/	Commercial	Imports (f.o.b.)	Trade balance Total	Commercial
		Million U.S. dollars					
Total:							
1965	I	5,597	631	4,966	4,606	991	360
	II	7,030	909	6,121	5,494	1,536	627
	III	6,329	696	5,633	5,496	833	137
	IV	7,288	716	6,572	5,920	1,368	652
1966	I	7,074	755	6,319	5,926	1,148	393
	II	7,360	816	6,544	6,278	1,082	266
	III	6,958	714	6,244	6,536	422	-292
	IV	7,784	867	6,917	6,801	983	116
1967	I	7,589	966	6,623	6,646	943	-23
	II	7,911	933	6,978	6,622	1,289	356
	III	7,146	790	6,356	6,430	716	-74
	IV	7,822	834	6,988	7,293	529	-305
1968	I	7,892	947	6,945	7,749	143	-804
	II	8,504	927	7,577	8,279	225	-702
Agricultural:							
1965	I	1,241	294	947	865	376	82
	II	1,615	467	1,148	1,051	564	97
	III	1,497	312	1,185	933	564	252
	IV	1,876	287	1,589	1,238	638	351
1966	I	1,652	361	1,291	1,155	497	136
	II	1,649	418	1,231	1,128	521	103
	III	1,627	273	1,354	1,110	517	244
	IV	1,951	351	1,600	1,098	853	502
1967	I	1,603	362	1,241	1,180	423	61
	II	1,595	413	1,182	1,064	531	118
	III	1,437	251	1,186	1,064	373	122
	IV	1,750	298	1,452	1,144	606	308
1968	I	1,646	404	1,242	1,187	459	55
	II	1,478	406	1,072	1,261	217	-189
Nonagricultural:							
1965	I	4,356	337	4,019	3,741	615	278
	II	5,415	442	4,973	4,443	972	530
	III	4,832	384	4,448	4,563	269	-115
	IV	5,412	429	4,983	4,682	730	301
1966	I	5,422	394	5,028	4,771	651	257
	II	5,711	398	5,313	5,150	561	163
	III	5,331	441	4,890	5,426	-95	-536
	IV	5,833	516	5,317	5,703	130	-386
1967	I	5,986	604	5,382	5,466	520	-84
	II	6,316	520	5,796	5,558	758	238
	III	5,709	539	5,170	5,366	343	-196
	IV	6,072	536	5,536	6,149	-77	-613
1968	I	6,246	543	5,703	6,562	-316	-859
	II	7,026	521	6,505	7,018	8	-513

1/ Same as footnote 1, table 5 except that the source for noncommercial agricultural exports is table 4.

Source: ERS statistics and *Survey of Current Business*, U.S. Department of Commerce.

Table 7.--Noncommercial U.S. agricultural exports, 1960-67 1/

Item	1960	1961	1962	1963	1964	1965	1966	1967
	Million U.S. dollars							
Total noncommercial agricultural exports	1,377	1,454	1,423	1,538	1,630	1,360	1,403	1,324
By program:								
Title I, P.L. 480, sales for local currencies 2/	980	902	1,012	1,149	1,234	914	840	740
Title I, P.L. 480, long-term dollar credit sales 2/ 3/	---	---	39	50	97	147	233	190
Title II, P.L. 480 grants	218	339	328	328	276	273	240	295
Mutual Security (AID) disposals	157	179	35	11	23	26	47	33
Export-Import Bank, financed from own resources	22	34	9	---	---	---	43	66

---Zero or less than $500,000.

1/ Those financed by the U.S. Government with international grants and credits.

2/ Excludes the value of commodities shipped under the program but paid for by initial payments, in dollars. Therefore the series do not represent total value of shipments under the program, but only the value financed by the U.S. Government with international grants or credits.

3/ Includes convertible local currency credit sales.

Source: P.L. 480 program (all titles): Office of Business Economics, U.S. Department of Commerce; Mutual Security and Export-Import Bank programs: Based on data from AID and the Export-Import Bank.

Most of the recent falloff in local currency sales is being picked up by increased long-term dollar-credit sales. These sales began in 1962 and continue to increase as the shift from local currency to dollar-credit sales is made as directed in the 1966 extension of P.L. 480. Grants under P.L. 480 have not shown a clear trend in the 1960's, rising and falling from year to year as needs dictate. AID disposals of farm products have fallen considerably since 1960, while agricultural exports financed by the Export-Import Bank with their funds amounted to about $110 million in 1966 and 1967 after having been almost zero in the 1963-65 period.

Noncommercial agricultural exports of $810 million in the first half of 1968 were only $35 million above the level for first-half 1967 (table 8). The rise in noncommercial exports can be traced to the $104 million increase in long-term dollar-credit sales (including convertible local currency credit sales). Exports under the other noncommercial programs declined except for the Export-Import Bank where they were virtually unchanged. The big increase in long-term dollar-credit sales occurred in second quarter 1968 when they amounted to $131 million, compared with only $44 million in second quarter 1967.

Although noncommercial exports do not immediately help our balance of payments since they are financed by the U.S. Government with international grants and credits, ultimately some help is derived from them. This help occurs in two major ways. The first is when inconvertible foreign currencies acquired from the sale of agricultural products, as under P.L. 480 and the AID program, are used by U.S. agencies abroad in lieu of dollars. The second way is when the dollar credits extended under P.L. 480 and by the Export-Import Bank are repaid, with interest.

The returns and savings on noncommercial agricultural exports increased from $167 million in 1960 to $332 million in 1967 (see table 9). The 1967 figure was unusually high, having risen from $171 million in 1966. A large portion of the increase occurred in the use of foreign currencies, but both P.L. 480 and Export-Import Bank dollar credit repayments also showed sizable increases.

A 1968 increase of the magnitude of 1967's is unlikely though the 1967 level of returns might be maintained. The returns in the first two quarters of 1968 were running well ahead of the year-earlier two quarters (table 10). However, the big increases during 1967 occurred in the third and fourth quarters and it seems unlikely that the high level attained then will be maintained in the latter half of 1968.

The increase in returns on noncommercial exports in 1967 offset part of the almost $400 million decline in the commercial trade balance so that agriculture's net contribution to the balance of payments of $941 million in 1967 was not far below the 1966 record contribution of $1,156 million. This compares with the deficit of $269 million in 1960.

Largely as a result of the substantial increase in agricultural imports to $1,261 million in the second quarter of 1968, compared with $1,064 million in the second quarter of 1967, agriculture's net contribution to the balance of payments slipped to a minus position in the second quarter. For the first half of 1968 the net contribution was $13 million.

Table 8.--Noncommercial U.S. agricultural exports, quarterly, 1965-68 1/

Item	1965				1966				1967				1968	
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II
	Million U.S. dollars													
Total noncommercial agricultural exports	294	467	312	287	361	418	273	351	362	413	251	298	404	406
By program:														
Title I, P.L. 480, sales for local currencies 2/	215	293	205	201	212	249	190	189	198	243	137	162	261	170
Title I, P.L. 480, long-term dollar credit sales 2/ 3/	30	67	23	27	60	73	37	63	36	44	35	75	53	131
Title II, P.L. 480 grants	44	98	79	52	73	81	25	61	85	106	60	44	66	80
Mutual Security (AID) disposals	5	9	5	7	15	15	9	8	14	7	9	3	3	2
Export-Import Bank, financed from own resources	---	---	---	---	1	---	12	30	29	13	10	14	21	23

---Zero or less than $500,000.
1/ 2/ 3/ Same as in table 7.

Source: Same as in table 7.

Table 9.--Agriculture's contribution to the U.S. balance of payments, 1960-67

Item	1960	1961	1962	1963	1964	1965	1966	1967
	Million U.S. dollars							
Commercial agricultural exports	3,458	3,569	3,614	4,046	4,720	4,869	5,476	5,061
Plus: Realized dollar returns and savings on noncommercial agricultural exports	167	194	187	171	228	212	171	332
Title I, P.L. 480, foreign currencies used by U.S. agencies	118	148	156	160	223	183	132	225
Title I, P.L. 480 principal and interest repayments on dollar credit sales	---	---	---	2	5	27	39	60
Mutual Security (AID) foreign currencies used by U.S. agencies	16	15	2	1	---	2	---	---
Export-Import Bank principal and interest dollar repayments	33	31	29	8	---	---	---	47
Total agricultural dollar earnings, actual plus realized dollar returns on noncommercial exports	3,625	3,763	3,801	4,217	4,948	5,081	5,647	3,393
Less: Agricultural imports	3,894	3,756	3,898	4,044	4,090	4,087	4,491	4,452
Net contribution to the balance of payments attributable to agricultural merchandise trade	-269	7	-97	173	858	994	1,156	941

---Zero or less than $500,000.

Source: Same as in table 10.

Table 10.--Agriculture's contribution to the U.S. balance of payments, by quarters, 1965-68

Item	1965				1966				1967				1968	
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II
	Million U.S. dollars													
Commercial agricultural exports	947	1,148	1,185	1,589	1,291	1,231	1,354	1,600	1,241	1,182	1,186	1,452	1,242	1,072
Plus: Realized dollar returns and savings on noncommercial agricultural exports	62	55	39	56	53	33	33	52	56	61	106	109	78	69
Title I, P.L. 480, foreign currencies used by U.S. agencies	56	52	39	36	38	25	32	37	43	46	88	48	39	45
Title I, P.L. 480 principal and interest repayments on dollar credit sales	5	3	---	19	15	8	1	15	13	15	4	28	11	10
Mutual Security (AID) foreign currencies used by U.S. agencies	1	---	---	1	---	---	---	---	---	---	---	---	---	---
Export-Import Bank principal and interest dollar repayments	---	---	---	---	---	---	---	---	---	---	14	33	28	14
Total agricultural dollar earnings, actual plus realized dollar returns on noncommercial exports	1,009	1,203	1,224	1,645	1,344	1,264	1,387	1,652	1,297	1,243	1,292	1,561	1,320	1,141
Less: Agricultural imports	865	1,051	933	1,238	1,155	1,128	1,110	1,098	1,180	1,064	1,064	1,144	1,187	1,261
Net contribution to the balance of payments attributable to agricultural merchandise trade	144	152	291	407	189	136	277	554	117	179	228	417	133	-120

---Zero or less than $500,000.

Source: Based on data from the Commodity Credit Corporation, Export-Import Bank, and the Office of Business Economics, U. S. Department of Commerce.

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Table 11.--U.S. balance of payments, 1965-68

Period		Balance on liquidity basis	Balance on official reserve transactions basis
		----Million dollars----	
1965		-1,335	-1,289
1966		-1,357	266
1967		-3,571	-3,405
1966	I	-47	394
	II	-149	-369
	III	-695	426
	IV	-466	-185
1967	I	-238	-1,279
	II	-220	-705
	III	-1,212	-25
	IV	-1,901	-1,396
1968	I	-249	94
	II	133	1,561

Source: Department of Commerce, Survey of Current Business, June 1968 and September 1968.

Agriculture's net contribution to the balance of payments averaged $1 billion a year in 1964-67 against a minus $50 million-a-year average for 1960-63. This increased contribution came when the position of the U.S. dollar was under increasing pressure in international financial markets. The pressures were particularly intense in 1967 when the U.S. balance-of-payments deficit on the liquidity basis increased to $3.6 billion from $1.4 billion in 1966 (table 11). This increase was largely attributable to the adjustments and uncertainties that followed the devaluation of the pound in November and the result was a fourth-quarter deficit of $1.9 billion. The quarterly deficits have since been reduced and in the second quarter of 1968 a $133 million surplus was recorded before seasonal adjustments, though on a seasonally adjusted basis there was a deficit of $170 million.